THE TRANSFORMATION OF U.S.-INDIA RELATIONS

An Explanation for the Rapprochement and Prospects for the Future

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Abstract

The United States and India are enjoying increasingly close relations. This represents a transformation of the two countries' past relationship, which was characterized by suspicion and distrust. This change, which began with the end of the Cold War, has resulted from a convergence of structural, domestic, and individual leadership factors.

Keywords: Indian foreign policy, economic transformation, Cold War's end, economic transformation, defense cooperation

Relations between the United States and India are at an all-time high, with the two countries enjoying unprecedented levels of cooperation in the economic, strategic, and diplomatic spheres. As President George Bush recently put it, "India and the United States are separated by half a globe. Yet, today our two nations are closer than ever before."[1] In Prime Minister Manmohan Singh's words, India and the U.S. "share the common goal of making

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1. Roxanne Roberts, "A Bush Dinner as Rare as a Pink Elephant: President Hosts India's Leader at First Such Event in Two Years," *Washington Post*, July 19, 2005.

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this one of the principal relationships of our countries."[2] And Undersecretary of State Nicholas Burns predicts that "within a generation many Americans may view India as one of our two or three most important strategic partners."[3]

However, Indo-U.S. relations have not always been so cozy. Indeed, the two countries' increasing closeness represents a major transformation of their past relationship. Below, we describe the nature of Indo-U.S. relations from the time of Indian independence through the end of the Cold War. As we explain, although the countries shared a number of important interests and values, their relationship was historically characterized more by suspicion and resentment than by cooperation. We then show how a convergence of structural, domestic, and individual leadership factors has transformed Indo-U.S. relations. At the structural level, we argue that the end of the Cold War forced India to rethink its attitude toward the U.S. while freeing the latter from the need to view India through an anti-Soviet lens. At the domestic level, their country's economic failings made clear to Indian leaders that their socialist development model was no longer tenable, spurring a raft of market-oriented reforms bringing India closer to the U.S. At the individual level, Indian and American political leaders took the difficult and sometimes risky political steps necessary to create an environment in which an Indo-U.S. partnership could take root. Together, these factors radically altered the nature of bilateral relations in the post-Cold War era.

Cold War Background

For most of the period after India achieved independence in 1947, the U.S. viewed South Asia as a region largely peripheral to its central strategic needs. This said, various American administrations did consider India to be a potentially important front in the Cold War contest, viewing the country as a fledgling democracy emerging in China's communist shadow. They surmised that India's fate could have important implications for other Asian states struggling to be free. To this end, the U.S. gave India substantial economic assistance, particularly as the latter's ties with China deteriorated. During the 1962 Sino-Indian war, the U.S. publicly supported India's interpretation of its border with China in the eastern Himalayas and even ferried military equipment to India.[4] However, despite its potential importance and occasional periods of Indo-U.S. cooperation, it was clear from early on that India would not serve as an active

2. "Prime Minister Manmohan Singh's Opening Statement at the Joint Press Conference at the White House," July 18, 2005, available at <http://www.indianembassy.org/press_release/2005/July/22.htm>.

3. Nicholas Burns, "Heady Times for India and the U.S.," *Washington Post*, April 29, 2007.

4. See Neville Maxwell, *India's China War* (Dehra Dun: Natraj Publishers, 1970), pp. 146, 270–71, 364, 378, 385.

U.S. ally in the battle against global communism. For its part, India refused to join either the American or the Soviet side in the Cold War conflict and instead charted its own "non-aligned" course largely independent of either superpower.[5]

On one level U.S. policy makers sympathized with India's position of "non-alignment." After all, India risked becoming a target of the opposing camp if it openly took sides in the Cold War struggle. This was the reason that the U.S. had been averse to joining military alliances for the first 150 years of its history. It was not surprising that India—a newly established and relatively weak country—had to do the same.[6] From the U.S. perspective, the main problem with Indian policy was that "non-alignment," in practice, did not translate into genuine neutrality. Instead, India tilted away from the U.S. and more into the Soviet Union's ambit, especially after the early 1970s.

India's affinity for the Soviet Union was rooted both in subjective preferences and objective strategic factors. At the preferential level, Indians admired the Soviet Union's economic success. This also appealed to the socialist proclivities of Prime Minister Jawaharlal Nehru and subsequent generations of Indian elites, who deeply distrusted American-style free-market capitalism. Indians also believed that the Soviet Union would not become a colonial power in the future because it lacked a colonial history; thus, it would not seek to expand its territory or influence at India's expense.[7]

At the strategic level, the Soviet Union afforded India crucial protection against regional adversaries. In 1971 New Delhi and Moscow signed a treaty of "peace, friendship, and cooperation" under which the two parties promised to aid one another in the event of a perceived military threat.[8] After that, India came to rely on the Soviets to help protect it against the People's Republic of China, with which it had fought a bloody border war in 1962 and had an ongoing territorial dispute. During the early 1970s, China also began to enjoy improved relations with the U.S., further exacerbating perceptions that Beijing was a threat to India. The Soviets responded by bolstering their relationship with India, providing sophisticated arms under highly favorable terms and taking supportive positions in the U.N. Security Council, particularly over the disputed territory of Kashmir.

In return India continued to support the Soviet Union on a variety of controversial international issues. New Delhi withheld criticism of the Soviet invasion

5. Stephen P. Cohen, *India: Emerging Power* (Washington, D.C.: Brookings Institution Press, 2001), p. 271.

6. John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy during the Cold War* (Oxford: Oxford University Press, 2005), p. 154.

7. Cohen, *India*, p. 272; Sumit Ganguly, "India's Foreign Policy Grows Up," *World Policy Journal* (Winter 2003/04), p. 41.

8. For a discussion of the politics surrounding the treaty, see Robert Horn, *Soviet-Indian Relations: Issues and Influence* (New York: Praeger, 1982).

of Afghanistan in 1979, just as it had done with the Soviet invasion of Hungary in 1956 and Czechoslovakia in 1968. India also denied that the Eastern Bloc's military capabilities endangered Western Europe.[9] India's "non-aligned" foreign policy thus became a source of considerable irritation to the U.S. Not only did the Indians refuse to assist the U.S. in containing Soviet power, but they also actively cooperated with the Soviet Union in significant ways. In the end, India was not useful in achieving America's grand strategic goals and, in fact, was perceived as actually helping the Soviets to undermine them.

Beyond these strategic problems, India was economically unattractive during the Cold War. Given India's chronic underdevelopment, the U.S. did not view it as a potentially serious trading partner, target for investment, or source of skilled labor. Thus, the U.S. could reap few economic benefits through engagement with India. This economic weakness, in turn, severely constrained India's military capabilities and limited its ability to pose a direct threat to American interests in South Asia, further reducing India's relevance from a U.S. standpoint. In essence, during the Cold War India refused to promote U.S. grand strategic goals and offered few economic benefits, while posing little direct military threat to American interests. India therefore was largely ignored.[10]

Any strategic interest that the U.S. perceived in South Asia lay primarily with India's arch-rival, Pakistan. Pakistan, at least notionally, supported American grand strategic goals, including participating in anti-communist military alliances such as the Central Treaty Organization (CENTO) and the Southeast Asia Treaty Organization (SEATO).[11] Pakistan also allowed Washington to use its territory as a base for overflights to eavesdrop on the Soviet Union, in addition to serving as a vital conduit for American arms shipments to anti-Soviet forces in Afghanistan during the 1980s. In return, the Pakistanis received substantial American economic and military assistance.[12]

U.S. ties with Pakistan exacerbated Indo-U.S. estrangement, convincing the Indians of America's malign intentions. India objected to the U.S.-Pakistan relationship on a number of levels. Most fundamentally, the Indians were angered by the U.S. decision to favor small, dictatorial Pakistan over a major democratic state such as India. Also, American support allowed the Pakistanis

9. Ganguly, "India's Foreign Policy Grows Up," p. 41.

10. On this subject, see Andrew Rotter, *Comrades at Odds*: *The United States and India, 1947–1964* (Ithaca, N. Y.: Cornell University Press, 2000).

11. Pakistan was less concerned about a Communist threat to its security than a possible attack from India. On this subject, see Russell Brines, *The Indo-Pakistani Conflict* (New York: Pall Mall, 1968).

12. See Dennis Kux, *Disenchanted Allies: The United States and Pakistan 1947–2000* (Baltimore: Johns Hopkins University Press, 2001), pp. 70–74, 91–92, 256–94. For a critique of American policy, see Robert J. McMohan, *The Cold War on the Periphery: The United States, India, and Pakistan* (New York: Columbia University Press, 1996).

to adopt a confrontational approach, confident that their superior equipment, training, and doctrine would enable them to wring concessions from the Indians and, if necessary, prevail in any military conflict. Such inflated Pakistani confidence threatened Indian security and forced New Delhi to devote scarce resources to increased defense spending. Finally, American aid helped to reinforce the dominant position of the army in Pakistani politics, decreasing the likelihood that Pakistan would make serious efforts to settle its differences with India diplomatically. In the eyes of many Indians, America's support for Pakistan reached its zenith during the 1971 Bangladesh war, when President Nixon "tilted" toward the Pakistanis and dispatched the aircraft carrier *Enterprise* to the Bay of Bengal. India viewed this move as a naked attempt to deter it from taking further action against Pakistan. This incident continued to engage and infuriate Indians for decades. The close relationship between the U.S. and Pakistan thus had an exceedingly negative impact on Indo-U.S. relations, convincing the Indians that the U.S. sought to undermine their country by supporting its sworn enemy.[13]

Finally, India and the U.S. spent several decades during the Cold War at loggerheads over the issue of nuclear weapons proliferation. In the wake of India's 1974 "peaceful nuclear explosion," the U.S. made South Asia a centerpiece of its non-proliferation efforts, in part by crafting legislation such as the 1978 Nuclear Nonproliferation Act, the Pressler Amendment, and the Symington Amendment, designed to thwart India and Pakistan from acquiring nuclear weapons.[14] Indians deeply resented this policy, which they viewed as discriminatory and hypocritical. If nuclear deterrence worked for the West, Indians reasoned, why should it be any less effective in South Asia? In 1998 then-Foreign Minister Jaswant Singh famously labeled the U.S. non-proliferation policy "nuclear apartheid."[15]

Thus, for most of the past six decades, relations between the U.S. and India were frosty. Why then has their relationship changed so radically in recent years? We argue that a confluence of structural, domestic, and individual leadership factors has been responsible for this shift. At the structural level, the end of the Cold War fundamentally altered India's strategic calculus and broadened U.S. foreign policy options. At the domestic level, India's economic reforms made it an attractive business and trading partner. At the individual level, political leaders broke with past policies in ways that helped change the trajectory of Indo-U.S. relations. Below we address each of these issues in turn.

13. See Cohen, *India*, pp. 273–74; Sumit Ganguly, "Deterrence Failure Revisited: The Indo-Pakistani Conflict of 1965," *Journal of Strategic Studies* 13:4 (December 1990), pp. 77–93.

14. For details, see Devin T. Hagerty, *The Consequences of Nuclear Proliferation: Lessons from South Asia* (Cambridge, Mass.: Massachusetts Institute of Technology Press, 1998), pp. 74–75, 82–83. Note that the Pressler Amendment was directed specifically at Pakistan.

15. Jaswant Singh, "Against Nuclear Apartheid," *Foreign Affairs* 77:5 (September/October 1998).

Forging a New Indo-U.S. Relationship

Structural Factors

Few American interests were directly impacted in South Asia as the Cold War came to a close. During the 1980s, the U.S. had been drawn into the region to contest the expansion of Soviet power into Afghanistan. However, after the Soviet defeat Washington ignored Afghanistan and virtually abandoned its erstwhile ally, Pakistan. In fact, the George H. W. Bush administration imposed sanctions against Pakistan under the aegis of the Pressler Amendment in 1990, saying it was unable to certify that Pakistan did not possess a nuclear explosive device. Relations with India—despite occasional signs of improvement—remained mired in differences over India's nuclear weapons program as well as the Indo-Pakistani dispute over Kashmir.[16] The Indians, for their part, viewed the U.S. as a quasi-colonial power, determined to deny India both its rightful dominant role in South Asia and its status as an important player on the larger global stage.[17]

The demise of the Soviet Union and the end of the Cold War had profound consequences for India's foreign and security policies. As noted above, despite its "non-aligned" status India had maintained a close relationship with the Soviets. The collapse of the Soviet Union forced India's policy makers to recalculate their strategic options. No longer could they rely on their superpower ally's military and diplomatic protection. Nor, the Russians made clear, would the Indians be able to continue purchasing arms under exceptionally favorable Cold War terms. As a result, Indian officials began exploring other possibilities. Slowly, they undertook measures to improve their relations with China. More importantly, the Indians largely abandoned their reflexive opposition to American strategic, economic, and diplomatic policies, evincing a new openness to the pursuit of mutually beneficial endeavors. While determined to avoid becoming a pawn in U.S. efforts to contain China, the Indians realized that a closer relationship with the U.S. could help them fill the vacuum left by the Soviet Union's fall and also balance against rising Chinese power. The U.S., for its part, was no longer forced to view India in light of the latter's friendship with the Soviets and could re-evaluate Indo-U.S. relations on their own merits.[18] Thus, the massive structural shift that resulted from the end of the Cold War foreclosed India's old Soviet-centric strategic policies and drove

16. On the fitful improvement in Indo-U.S. relations, see Sunanda K. Datta-Ray, *Waiting for America: India and the United States in the New Millennium* (New Delhi: HarperCollins, 2002).

17. Cohen, *India*, pp. 86–87, 272.

18. See John Garver, *Protracted Contest: Sino-Indian Rivalry in the Twentieth Century* (Seattle: University of Washington Press, 2000); and C. Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy* (New Delhi: Viking, 2003).

it to consider an approach more amenable to cooperation with the U.S. The shift also enabled the U.S. to be more receptive to this new orientation.

Domestic Factors

Domestic-level factors also contributed to an Indo-U.S. rapprochement in the post-Cold War era. The most important element was the severe financial crisis that gripped India in 1991, after the first Gulf War. The convergence of three distinct forces caused this crisis. First, India had badly depleted its foreign exchange reserves purchasing oil on the global spot market prior to the outbreak of the war. Second, the hostilities forced India to repatriate, at short notice, over 100,000 expatriate workers from the Persian Gulf region. Their return closed an important source of foreign exchange. Third, shortly after the war's end, a series of loan payments to multilateral banks came due. The combination of these three factors sent the Indian exchequer into a tailspin.[19]

Although its immediate cause was the Persian Gulf War, the roots of this financial crisis lay much deeper in the structural weakness of the Indian economy. These, in turn, emanated from the failures of India's socialist development program. For decades, India had hewed to a course of industrial regulation, import substitution, and central planning.[20] In the early 1990s, Prime Minister Narasimha Rao and his finance minister, Manmohan Singh, faced a stark choice. They could seek a short-term solution to India's financial crisis through multilateral loans, or they could try to address the deeper economic problems. Rao and Singh opted for the second approach and decided to use the crisis to make fundamental changes in India's economic growth strategy. They abandoned, for all practical purposes, India's atavistic commitment to "import-substituting industrialization" and the labyrinthine regulatory system that it had spawned. Instead, they chose to move India toward more market friendly economic policies. Key aspects of this approach included adopting a structural adjustment regime, reducing tariffs and agricultural subsidies, loosening industrial regulations, and paring down India's massive public sector.[21]

Since then India's economic performance has improved dramatically. With a gross domestic product (GDP) of over $4 trillion, the Indian economy is now the sixth largest in the world.[22] Moreover, India's GDP growth is no longer stuck at the traditional "Hindu" rate of roughly 3%. Instead, GDP grew 5.6%

19. Sumit Ganguly, "India Walks a Middle Path in Gulf Conflict," *Asian Wall Street Journal Weekly*, March 4, 1991.

20. Jagdish Bhagwati and Padma Desai, *India: Planning for Industrialization* (London: Oxford University Press, 1970).

21. T. N. Srinivasan, *Eight Lectures on India's Economic Reforms* (New Delhi: Oxford University Press, 2000).

22. Figures are taken from <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html>.

in 1990 and 8.4% in 2005. The Asian Development Bank (ADB) predicts 2007 and 2008 GDP growth rates of 8% and 8.3%, respectively. India has also emerged as a major player in the information technology sector and an important international source of skilled labor. Its burgeoning middle class offers a potentially vast market for foreign exports. Not surprisingly, Indo-U.S. trade has skyrocketed from approximately $4.5 billion in 1988 to roughly $27 billion in 2005.[23] Despite this progress, India continues to face serious economic challenges, particularly regarding inequality, education, infrastructure, and continued liberalization. As we explain below, these are potentially serious problems that could undermine India's economic progress—and the further expansion of its relationship with the U.S. Nonetheless the new market-oriented approach has helped to spur India's economic growth. This has played a major role in India's rapprochement with the U.S. Both sides have much to gain from further cooperation in the future. They can no longer afford to ignore one another.

Individual Leadership Factors

In addition to these structural and domestic factors, individual leadership has also played a major role in facilitating enhanced Indo-U.S. ties. Various Indian and American leaders have made significant contributions in this regard. For instance, the decision by Narasimha Rao and Manmohan Singh to break with India's autarkic development strategy and begin moving toward market reforms facilitated the growth that has made India such a valuable economic partner for the U.S. Even though these market reforms were triggered by the economic crisis emanating from the Gulf War, it still took considerable foresight and political courage for Rao and Singh to launch a policy that represented such a major departure from the past. This is particularly true given the entrenched interests within India that opposed any break with previous policy. For example, both labor and management in the industrial sector strenuously opposed the government's efforts to undo restrictions on investment and expansion that impeded the integration of Indian industry into the global economy. Elements of the foreign policy bureaucracy also opposed economic and political measures that they saw as too closely aligned with the U.S. and the West. In addition, many commentators in the press and academe were severely critical of India's new direction. Efforts to implement the new economic policies have not been uniformly successful and powerful industrial groups and labor unions continue to thwart further reform.[24] Still, the changes in Indian economic policy

23. See ADB, "South Asia's Growth to Remain Strong in 2007–2008, Says ADB" (March 27, 2007), available at <http://www.adb.org/Media/Articles/2007/11669-south-asian-developments-outlooks/>; ADB, "Country Reports: Key Indicators, India," available at <http://www.adb.org/Documents/Books/Key_Indicators/2006/pdf/IND.pdf>. The pun "Hindu growth rate" plays on the term "secular growth rate." It was coined by noted Indian economist Raj Krishna.

24. Ganguly, "India's Foreign Policy Grows Up," pp. 42–43.

have been significant. Other leaders more cautious than Rao and Singh might not have even attempted to introduce them.

U.S. President Bill Clinton's leadership also played an important part in facilitating Indo-U.S. rapprochement. The Clinton administration was committed to limiting the global spread of nuclear weapons; it imposed economic sanctions to punish India and Pakistan in the wake of their 1998 nuclear tests. This thoroughly vexed Indian leaders. However, in the Indians' view, Clinton's actions during their country's 1999 Kargil conflict with Pakistan largely atoned for his earlier policy. Indeed, American actions during the Kargil conflict helped begin undoing the deep distrust of the U.S. that Indian leaders had acquired over the previous several decades. To explain, India discovered in the spring of 1999 that Pakistani forces had breached the Line of Control (LoC) dividing Indian- and Pakistani-controlled Kashmir in a sector called Kargil. The Pakistani positions enabled them to threaten Indian lines of communication into northern Kashmir. As a large-scale Indian counteroffensive began to beat back the intruders, Pakistani Prime Minister Nawaz Sharif traveled to Washington in July and asked Clinton to help him devise a solution to the conflict. Clinton refused to cooperate until all Pakistani forces had retreated back to their side of the LoC. He also kept New Delhi informed of the progress of his discussions with Sharif. The prime minister eventually agreed to Clinton's terms and called for the withdrawal of all intruding forces back across the LoC.[25]

Clinton's actions were significant because they demonstrated to India that the U.S. was not blind to Pakistani malfeasance and that it would not necessarily support its traditional ally at India's expense. Indeed, under the right circumstances the U.S. was prepared to side with India even to the detriment of Pakistan. This signaling to India was not simply an accident but rather a deliberate goal of Clinton's approach to Kargil.[26] In fact, it proved tremendously important in demonstrating America's good faith to the Indians, suggesting that the two countries could work together as partners in the future. As Indian Foreign Minister Jaswant Singh told Deputy Secretary of State Strobe Talbott in the wake of the Kargil crisis, "Something terrible has happened these past several months between us and our neighbors. But something quite new and good has happened . . . between our countries, yours and mine—something related to the matter of trust. My prime minister and I thank your president for that."[27]

Another example of individual leadership's role in facilitating improved Indo-U.S. relations is the George W. Bush administration's 2005 decision to

25. For inside accounts of Clinton's decision-making during the Kargil crisis, see Bruce Reidel, "American Diplomacy and the 1999 Kargil Summit at Blair House," Center for Advanced Study of India, University of Pennsylvania (2002); and Strobe Talbott, *Engaging India: Diplomacy, Democracy, and the Bomb* (New Delhi: Penguin Books, 2004).

26. Talbott, *Engaging India*, p. 163.

27. Ibid., p. 169.

pursue a nuclear energy deal with India. The Nuclear Nonproliferation Treaty (NPT) offers assistance with civilian nuclear programs only to states that join the treaty as non-nuclear powers. U.S. law and Nuclear Suppliers Group (NSG) guidelines forbid the sharing of nuclear fuel and technology with countries classified as "non-nuclear weapons states" under the NPT, unless those states accept full-scope International Atomic Energy Agency (IAEA) safeguards. Thus, India—which neither acceded to the NPT nor accepted IAEA safeguards—had been ineligible for civilian nuclear assistance under the NPT, U.S. law, and NSG guidelines. Nonetheless, the Bush administration announced in July 2005 that it planned to offer India fuel and technical support for its civilian nuclear program under specific conditions. Officials demanded that India separate its civilian and military programs, allow inspections of its civilian program, effectively secure its nuclear materials and technologies in order to prevent their proliferation, continue its moratorium on nuclear testing, and participate in negotiations for a Fissile Material Cutoff Treaty.[28]

The proposed Indo-U.S. nuclear deal has spurred a contentious debate. Critics argue that the agreement would badly undermine the NPT by rewarding India with nuclear assistance despite its refusal to sign the treaty, and would encourage other nuclear supplier countries to provide nuclear technologies and materials to potential proliferators. By allowing India access to a ready international supply of civilian nuclear fuel, the deal could enable the Indians to use their scarce indigenous uranium supplies to expand their nuclear weapons arsenal. This could lead to Pakistani and Chinese balancing behavior, possibly destabilizing South Asia. Proponents of the deal argue that it actually strengthens nuclear nonproliferation goals by bringing India *into* the nonproliferation regime rather than keeping it isolated. In addition, the advocates argue that the deal would help reduce India's reliance on fossil fuels by increasing its access to clean energy sources and would recognize India's growing international stature and history of responsible nuclear stewardship, thus removing an important impediment to improved Indo-U.S. relations.[29]

Regardless of one's views on the desirability of the proposed agreement, two things seem clear. First, the nuclear deal, to a large degree, resulted from

28. For a detailed discussion of the terms of the agreement, see Fred McGoldrick, Harold Bengelsdorf, and Lawrence Scheinman, "The U.S.-India Nuclear Deal: Taking Stock," *Arms Control Today* 35:8 (2005), pp. 6–12.

29. This brief discussion does not purport fully to capture the arguments of the deal's proponents or detractors. For detailed analysis, see Ashton B. Carter, *The India Deal: Looking at the Big Picture* (testimony before the Committee on Foreign Relations, United States Senate), November 2, 2005, available at <http://bcsia.ksg.harvard.edu/publication.cfm?ctype=testimony&item_id=51>; George Perkovich, "Faulty Promises: The U.S.-India Nuclear Deal," *Carnegie Policy Outlook* (September 2005), pp. 1–14; Sumit Ganguly, "Giving India a Pass," *Foreign Affairs* (August 2005), available at <http://www.foreignaffairs.org>; and Zia Mian and M. V. Ramana, "Feeding the Nuclear Fire," *Foreign Policy in Focus*, September 20, 2005.

President Bush's personal leadership. As critics of the deal point out, the proposed accord did not emerge from a protracted process of interagency policy formulation but rather from a very small group within the administration, including Secretary of State Condoleezza Rice, Undersecretary of State Nicholas Burns, counselor Philip Zelikow, and President Bush himself. These leaders "had [apparently] made up their minds to lead a bold departure from long-standing policies toward India and toward U.S. and international rules governing nuclear technology commerce."[30] The plan was subjected to minimal interagency and congressional review; Bush and Manmohan Singh announced it as a surprise during the prime minister's July 2005 visit to Washington. Thus, presidential leadership was crucial to the formulation of the proposed U.S.-India nuclear agreement. It is questionable that a different administration—with a president less committed to a thorough transformation of Indo-U.S. relations—would ever have offered such a deal.

Second, there is little doubt that the proposed nuclear agreement has played an important role in facilitating the recent Indo-U.S. rapprochement. As noted above, Indian leaders bitterly resented American efforts to keep India from acquiring nuclear weapons, and American punishment once it had done so. Indeed, the Indians viewed the entire nuclear non-proliferation regime as being deeply flawed. They believed that the regime perpetuated a world of inequality in which the existing nuclear powers enjoyed the benefits emanating from their possession of these ultimate weapons, while other states were forced to accept second-class status. This double standard was particularly offensive in light of India's colonial past. The Indians also perceived that the non-proliferation regime ignored legitimate security concerns of non-nuclear states. Many non-nuclear countries are located in extremely dangerous regions; these states can potentially benefit from nuclear weapons' deterrent effects. Thus, in the Indian view, the nuclear non-proliferation regime was both philosophically and strategically unsound.[31] As former Minister for External Affairs Jaswant Singh argued,

> If the permanent five continue to employ nuclear weapons as an international currency of force and power, why should India voluntarily devalue its own state power and national security? Why admonish India . . . for not falling in line behind a new international agenda of discriminatory nonproliferation. . . . Nuclear weapons powers continue to have, but preach to the have-nots to have even less.[32]

Indian leaders' resentment over America's nonproliferation policy broadly tainted the Indo-U.S. relationship, impeding cooperation even in areas wholly

30. Perkovich, "Faulty Promises."

31. S. Paul Kapur, *Dangerous Deterrent: Nuclear Weapons Proliferation and Conflict in South Asia* (Stanford, Calif.: Stanford University Press, 2007).

32. Singh, "Against Nuclear Apartheid," p. 43.

unrelated to nuclear weapons.[33] Now, however, the U.S. has radically altered its position, announcing a willingness to change both its domestic laws and international regulations in order to provide India with civil nuclear assistance. In doing so, the U.S. has evinced a commitment not only to support India's continued economic progress but also to recognize it as a de facto nuclear weapons state. Therefore, as Ashley Tellis argues, the nuclear deal "symbolizes, first and foremost, a renewed American commitment to assisting India [to] meet its enormous developmental goals and thereby take its place in the community of nations as a true great power." The deal thus "becomes the vehicle by which the Indian people are reassured that the United States is a true friend and ally responsive to their deepest aspirations.[34] By clearly ending the past several decades of nuclear "apartheid," the proposed civilian nuclear agreement has helped to fundamentally change the tenor of Indo-U.S. relations and promises to open new potential avenues of cooperation.

Prospects for the Future

What does the future hold for the relationship between the U.S. and India? Although bilateral relations appear to be extremely promising at the moment, a number of difficulties could slow or derail continued progress. One problem is that the proposed Indo-U.S. nuclear pact could fail. Indian officials insist that the agreement must allow them to test nuclear weapons and to reprocess spent nuclear fuel. The Americans have thus far refused to agree to the Indians' terms.[35] If these differences prevent the nuclear deal from being realized, much of the goodwill that it has generated could evaporate.

Another potential problem is that American leaders may behave as if their willingness to cooperate has bought them India's allegiance. Some American policy makers believe that in return for the proposed nuclear agreement, India is obliged to support U.S. global nonproliferation efforts. As Congressman Tom Lantos put it, "There is quid pro quo in international relations. And if our Indian friends are interested in receiving all of the benefits of U.S. support, we have every right to expect that India will reciprocate in taking into account our concerns."[36] Many Indians resent this view, believing that the price of cooperation with the U.S. should not be Indian acceptance of American foreign

33. Sumit Ganguly, Andrew Scobell, and Brian Shoup, eds. *Indo-U.S. Strategic Cooperation into the Twenty-First Century: More Than Words* (London: Routledge, 2006).

34. Ashley J. Tellis, "U.S.-India Atomic Cooperation: Strategic and Nonproliferation Implications," testimony before the Senate Foreign Relations Committee, April 26, 2006.

35. See Somini Sengupta, "India Debates Its Right to Nuclear Testing," *New York Times*, April 21, 2007; Jo Johnson, "Bush Keen to Secure India Nuclear Deal," *Financial Times*, May 17, 2007.

36. "India, Iran, and the Congressional Hearings on the Indo-U.S. Nuclear Deal," *The Hindu*, August 1, 2005.

policy goals.[37] A similar situation could emerge regarding U.S. policy toward China. The Bush administration hopes that greater Indian economic and military prowess will offer a useful hedge against expanding Chinese power. India, for its part, also has reason to fear increased Chinese capabilities and ambitions. Nonetheless, India will formulate its China policy primarily from the standpoint of Indian interests. As a result, U.S. and Indian objectives vis-à-vis China may not always be compatible. If the U.S. assumes that they must be so, this could lead to discord over the long term.[38]

Another possible stumbling block is the Indian economy. Despite its impressive recent performance, significant weaknesses remain in a number of important areas that could impede continued economic growth. For example, India continues to suffer from massive inequality. Its economic boom has largely been an urban phenomenon, with much of the countryside—which accounts for roughly 70% of the population—having been left out. Indeed, approximately 50% of rural India still lacks access to electricity.[39] The Indian government estimates that over one-fifth of the population lives in poverty. And 46% of Indian children suffer from malnutrition, in comparison to 35% in sub-Saharan Africa and only 8% in China.[40]

India's public education system, furthermore, is in shambles. About one-third of children fail to complete five years of primary school and roughly the same proportion of the population is illiterate.[41] Another challenge to continued economic growth lies in India's dilapidated physical infrastructure, which is in desperate need of large-scale investment. Experts estimate that, in order to sustain robust economic expansion, the government must spend approximately five times the $30 billion it has currently earmarked for yearly infrastructure expenditure. This lack of solid infrastructure, including transportation facilities, has negatively affected India's agricultural sector, which loses between 30% and 40% of its produce to waste. Agricultural growth, in fact, shrank from 6% to 2.7% during 2006–07. Additionally, despite economic liberalization,

37. For example, see, Prakash Karat, "Betrayal on Iran: Costs of India-U.S. Partnership," *Indian Express*, September 30, 2005.

38. Perkovich, "Faulty Promises."

39. Adil Zainulbhai, "Equitable Growth Not Just a Dream," *Financial Times* (Asia Edition), November 29, 2006.

40. Government of India, "Economic Survey 2006–2007," available at <http://indiabudget.nic.in/es2006-07/esmain.htm>; Jeremy Page, "India's Economy Fails to Benefit Children," *The Times* (London), February 22, 2007. The Indian government bases its poverty estimates on data from state and sector-specific household surveys and price indexes. For a detailed discussion of this methodology, see Angus Deaton and Valerie Kozel, "Data and Dogma: The Great Indian Poverty Debate," *World Bank Research Observer* 20:2 (Fall 2005).

41. Guy de Jonquieres, "Just Rolling Back India's State Is Not Enough," *Financial Times*, February 1, 2007; and Jo Johnson, "Where All Is Not Yet Equal India," ibid., March 14, 2007.

the country remains hidebound by regulation. The World Bank in 2006 ranked the ease of doing business in India at 134 out of 175 countries in the world.[42] Thus, continued economic expansion is not a foregone conclusion. India's economic growth could stall if it fails to feed and educate its people, neglects to build and maintain the ports and roads necessary for easy movement of goods and services, and/or impedes wealth creation through punitive regulations. This would make India a much less attractive strategic partner for the U.S. and would remove one of the main factors driving the current rapprochement.

Finally, continued conflict with Pakistan could impede further progress in the Indo-U.S. relationship. Indo-Pakistani discord is rooted in the two countries' dispute over the territory of Kashmir, which has been divided between them since 1948 and which both sides claim wholly. India and Pakistan have fought three wars over the territory, and Indian-controlled Kashmir has been wracked by a Pakistan-supported insurgency since the late 1980s. The Kashmir conflict has proved extremely costly for India, killing significant numbers of Indian security forces and diverting considerable military and economic resources from other uses. The conflict has severely tarnished India's international reputation, largely because New Delhi's efforts to combat the Kashmiri insurgents have led to large-scale human rights violations.[43]

Costs such as these could impede the future progress of Indo-U.S. relations. They threaten to divert resources needed for continued economic development, distract policy makers' attention from managing India's emergence in the larger global arena, and damage the country's image.[44] The conflict could also trigger an outright Indo-Pakistani confrontation, putting India in the awkward position of fighting with a key U.S. ally. Fortunately, the Kashmir conflict appears to be ebbing in the face of increasing Indian conventional military capacity, American pressure on Pakistan to rein in the insurgency, Pakistan's preoccupation with its own sectarian problems, and India's willingness to negotiate directly with separatist groups. If India and Pakistan ultimately do manage to resolve the dispute, it will enable India to avoid the risks discussed above and remove a potential stumbling block to continued progress in its ties with the U.S.

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42. Johnson, "Where All Is Not Yet Equal India"; "Rs 50,000 Crore Worth Farm Produce Going Waste Every Year," *The Hindu*, June 20, 2005; Shalini S. Dagar, "The Missing Chain," *Business Today*, May 20, 2007; Government of India, "Economic Survey 2006–2007." In addition to supply-chain problems, other causes of India's steep decline in agricultural growth include poor fertilizer use, low seed replacement rates, and low investment levels. See Government of India, "Economic Survey 2006–2007."

43. See Kapur, *Dangerous Deterrent*. On the sources of the Kashmir insurgency, see Ganguly, *The Crisis in Kashmir: Portents of War, Hopes of Peace* (Cambridge: Cambridge University Press, 1997).

44. Sumit Ganguly, "The Kashmir Conundrum," *Foreign Affairs* 85:4 (July/August 2006), pp. 45–57.

It is difficult to conclusively predict whether any of these problems will substantially impede further improvement of the Indo-U.S. relationship. However, at present the signs appear to be hopeful overall. In the nuclear arena, both Prime Minister Singh and President Bush have invested considerable political capital in the proposed nuclear deal and will be loathe to see it fail. Therefore, there are strong incentives for the two sides to overcome their differences. If they are unable to do so, any resulting short-term damage to the relationship is likely to be outweighed by long-term synergies between U.S. and Indian interests. In the diplomatic sphere, even though American officials have touted the growing bilateral partnership, they have also taken great pains to acknowledge India's independent international stature and policy autonomy. American leaders thus seem unlikely to make the mistake of confusing India's friendship with servitude. On the economic front, most analyses call for continued robust Indian economic growth for the foreseeable future, despite the problems discussed earlier. This continued expansion may give policy makers a window of opportunity to address looming challenges before they become too much of a drag on the economy.

Perhaps the least predictable challenge to improved ties is India's relationship with Pakistan. As noted above, the situation in Kashmir has improved considerably. Insurgent violence and cross-border infiltration have declined; the Indo-Pakistani peace process continues to work toward achieving a mutually agreeable settlement to the dispute. However, the situation in Kashmir is fluid. Pakistan helped create and support the jihadi organizations seeking to oust India from Kashmir. Were they to launch a major attack in Kashmir or in India proper, New Delhi could be pressed to take a hard line against Pakistan irrespective of any direct involvement by Islamabad. Alternatively, a major domestic upheaval in Pakistan—such as the overthrow of the current regime by radical elements—could threaten India. This would put the two back in an adversarial role, possibly to the detriment of India's larger strategic aspirations—such as continued improvement in ties with the U.S. But such events could also bring India and the U.S. closer together, reinforcing for both sides the commonality of their long-term strategic interests to contain a potentially dangerous situation. Even in the worst-case scenario, it will be difficult to completely stop the current momentum of the Indo-U.S. relationship.